

U.S. Senate
Republican Policy
Committee

Larry E. Craig, Chairman
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No. 1

Legislative Notice

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S. 4 — The Soldiers', Sailors', Airmen's and Marines' Bill of Rights Act of 1999

Calendar No. 13

Reported with an amendment in the nature of a substitute from the Senate Armed Services Committee on February 2, 1999, by a vote of 18-0 (Senators Levin and Lieberman voted present). S. Rept. 106-1. Hearings took place September 29, 1988 and January 5, 1999.

NOTEWORTHY

- It is anticipated that the Senate will turn to consideration of S. 4, the Soldiers', Sailors', Airmen's and Marines' Bill of Rights Act of 1999, upon return from the President's Day recess (the week of February 22, 1999).
- On January 19, 1999, Senator Warner, chairman of the Armed Services Committee, along with Majority Leader Lott and 17 Republican Senators, introduced S. 4, The Soldiers', Sailors', Airmen's and Marines' Bill of Rights Act of 1999, to help remedy the problems which the Services have identified as primary reasons why critical military personnel were leaving the service early, and why potential recruits were reluctant to enlist in the U.S. military.
- In recent hearings before the Armed Services Committee, the Joint Chiefs of Staff (JCS) recommended that the Senate repeal the Military Retirement Reform Act of 1986, also known as the "Redux" retirement plan, which cut the rate of retirement pay after 20 years of service from 50 percent to 40 percent of base pay. The JCS highlighted exit survey data showing that dissatisfaction with reduced retirement benefits was an important factor in service members' decision to leave the military. Closing the gap between military pay and private sector wages was also a top priority for the JCS. In an effort to address these issues so critical to U.S. military readiness, the Armed Services Committee urges the full Senate to pass this bill expeditiously. The bill as reported includes provisions regarding the Montgomery G.I. Bill, from Senator Cleland's S. 169, the Military Recruiting and Retention Improvement Act.

HIGHLIGHTS

The bill:

- Authorizes a 4.8-percent military pay raise, effective January 1, 2000;
- Reforms the military pay tables;
- Revises the military retirement system;
- Authorizes active duty military personnel to participate in the Thrift Savings Plan;
- Revises benefits under the Montgomery G.I. Bill;
- Authorizes a special subsistence allowance for enlisted military personnel who demonstrate eligibility for food stamps; and
- Requires an annual report on the impact of these programs on recruitment and retention.

BACKGROUND

In September of 1998 and in January of this year, the Joint Chiefs of Staff (JCS) testified on the state of military readiness and recommended several legislative proposals to remedy the continuing problems of recruiting and retaining U.S. military personnel. One of the JCS' highest priorities was to repeal the 1986 Military Retirement Reform Act, also known as "Redux." Under Redux, the rate of retirement pay for personnel serving 20 years was cut from 50 percent of base pay to 40 percent, until age 62, at which time the 50-percent pay scale became effective.

Originally, Redux was intended to provide an incentive for service members who complete 20 years of service to remain on active duty. However, the JCS pointed out in their testimony that personnel were departing well before reaching 20 years of service because of the reduced retirement benefits.

In addition to repealing Redux, the JCS recommended increasing military pay to close the gap between military pay and private sector wages; the pay gap (depending on the base) is estimated by the JCS to range from 8.5 percent to 13.5 percent.

On December 21, 1998, Defense Secretary Bill Cohen and JCS Chairman General Shelton announced their proposals for increasing military pay and changing the military retirement system. Their proposals were more modest in scale, but similar in construct and design, to those embodied in this bill.

On January 19 of this year, Senator Warner introduced S. 4. Also on that day, Senator Cleland introduced S. 169, the Military Recruiting and Retention Improvement Act of 1999. The bill reported by the Committee includes provisions from both of these bills.

BILL PROVISIONS

Pay Raise and Allowances

- The bill calls for a 4.8-percent pay raise effective January 1, 2000, with future military pay raises to be equal to the Employment Cost Index (ECI) plus one-half percent. [The ECI measures the change over time in the cost of labor, to include wages and salaries and employer costs for employee benefits. Requiring future military pay raises to grow at ECI-plus-one-half percent will ensure that the military pay raises exceed the annual growth in private sector wages, thereby closing the wage gap between the military and the private sector.
- S. 4 restructures the pay tables for the uniformed services, to shift the emphasis toward promotion while making longevity increases more consistent than in the current pay tables.
- The bill recommends a special subsistence allowance of \$180 per month for enlisted personnel in grades E-5 and below who can demonstrate an eligibility for food stamps. The allowance is to be effective within 180 days of enactment, and is to be terminated by September 30, 2004. This allowance, combined with the pay raises and restructuring of pay tables, is estimated to assist nearly 10,000 military personnel. In addition, under this provision, the Secretary of Defense is required to submit an annual report on the number of military personnel eligible to receive food stamps.

Retirement Benefits

- Service members who entered the military on or after August 1, 1986, will be given the option to retire under the pre-1986 plan or to accept a one-time, \$30,000 lump-sum bonus and to remain under "Redux." The Committee believes that affording service members an option fulfills the request of the Joint Chiefs by permitting those who find "Redux" a disincentive to serving a full career the opportunity to transfer to the pre-1986 retirement plan. The Committee believes these options are both cost-effective and provide the necessary incentives for mid-career personnel to remain on active duty.
- Members of the uniformed services would be able to participate in the Thrift Savings Plan (TSP) now available for federal civil service employees by designating the deposit of up to 5 percent of their basic pay, before tax, each month into one or more of the three TSP funds. The government will not match the service members' contributions (with the exception of the special incentive, detailed below). However, in addition to their annual 5 percent contributions, service members could deposit special pays for enlistment, reenlistment, and the lump-sum bonus for remaining in "Redux," pre-tax, into the TSP. The Committee believes this provision will be an important incentive for military personnel and their families to remain on

active duty, since TSP will enhance the retirement income for service members who currently do not have access to a 401(k) savings plan.

- The Committee recommends a special initiative aimed at retaining personnel critical to meet Service requirements: the bill authorizes the Service Secretaries to offer up to a maximum of 5 percent in matching contributions to a TSP account for six years in return for six years of service.

Montgomery G.I. Bill Benefits

- The Committee recommends a provision that would increase the monthly Montgomery G.I. Bill (MGIB) benefit from \$528 to \$600 for members who serve at least three years, and from \$429 to \$488 for members with two-year enlistments. Although the MGIB benefit levels are adjusted annually by the increase in the Consumer Price Index, the benefits have not kept up with the increase in the cost of college education. The Committee believes that this modest increase in the MGIB benefit will make this program a more attractive recruiting incentive.
- S. 4 eliminates the \$1,200 contribution required of members who elect to participate in the G.I. Bill. The Committee believes that eliminating this \$1,200 pay cut will enhance the attractiveness of the MGIB as a recruiting incentive.
- The Committee recommends a provision that would allow payment of accelerated "lump sum" benefits for an entire term, semester, or quarter at college, and full amounts for courses not leading to a college degree. The Committee believes that permitting accelerated payments will make it easier to use the MGIB benefits without increasing the cost of the benefits and will make the MGIB a more attractive recruiting and retention incentive.
- In addition, the Services will be given discretionary authority to permit members to transfer their MGIB benefits to immediate family members. This provision gives service members a vehicle to finance a college education for family members while remaining in the service. The Committee believes this will prove to be a powerful retention incentive.

Reporting Requirements

- S. 4 requires the Department of Defense to report annually on the impact of these initiatives on recruitment and retention.

COST

No Congressional Budget Office cost estimate on this legislation was available at press time.

OTHER VIEWS

Additional Views of Senators Levin, Kennedy, Bingaman, Byrd, Robb, Lieberman, Cleland, Landrieu, and Reed.

"We support efforts to improve our military pay and retirement systems and to address the recruiting and retention problems identified by the Joint Chiefs of Staff in a timely manner. We must not, however, make promises of this kind to the troops without carefully considering how much they will cost and where the money will come from."

Additional Views of Senator Cleland.

"I am pleased that two of the most important provisions of my bill, S. 169, the Military Recruiting and Retention Improvement Act of 1999, are included in the bill the Committee has adopted. . . .

"I am particularly pleased that my proposal to enhance the GI Bill is included in S. 4. . . .

"I am also pleased that the bill reported out by the Committee includes the provision of my bill to require DOD to report annually on how well these recruiting and retention incentives are working."

POSSIBLE AMENDMENTS

Hutchison. Regarding military health care.

Enzi. Regarding tuition assistance.

Ashcroft. To move the effective date of pay-table reform from July 2000 to January 2000.

Cleland/Robb. To add new special incentive pays.

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